

GOVERNMENT OF ANDHRA PRADESH  
ABSTRACT

M.s. Brahmani Industries Ltd, Jammalamadugu, Kadapa district – MOU entered into on 21.5.2007 – Termination of MOU and cancellation of orders issued in G.O.Ms.No.477, Inds & Com (IP) Dept, Dt:2.08.2007 – Orders - Issued.

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INDUSTRIES & COMMERCE (IP) DEPARTMENT

G.O.Ms.No. 99

Dated: 31.05.2012  
Read the following:-

1. From the VC&MD, M/s. Brahmani Steels Ltd, Letter dated: 1-5-2007
2. MOU Dt: 21.05.2007 entered in between GOAP and M/S Brahmani Industries Ltd.
3. G.O.Ms.No.785, Revenue (Assn.IV) Dept, Dt:8.06.2007
4. G.O.Ms.No.413, Revenue (Assn.IV) Dept, Dt:25.03.2008
5. G.O.Ms.No.162, I & CAD (P.W.Reforms) Dept, Dt:10.07.2007
6. G.O.Rt.No.761, I & CAD (P.W.Reforms) Dept, Dt: 04.10.2007
7. G.O.Rt. No.477, Industries & Commerce (IP) Department, Dated 02-08-2007
8. From the Principal Secretary to Government & CIP, Inds. & Com Dept, Memo No.15340/IP/A2/2010, Dt:06.04.2011
9. From M/s. Brahmani Industries Ltd, Letter, Dt:9.06.2011
10. From the Principal Secretary to Government, Revenue Dept., Memo No.45785 /Assn.IV(1)/2011, Dt:02.12.2011
11. From the District Collector, Kadapa district, Letter, dt:20.02.2012.
12. From the Revenue Department, File No.45785/Assn-IV/2011 dt. 20-4-2012.

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ORDER:-

M/s Brahmani Industries Ltd in the letter 1<sup>st</sup> read above represented to Government that their company desires to set up an integrated steel plant of 2 million tons capacity per annum with its full production capacity of 10 million tones by the year 2017 with an objective of providing employment to 10,000 people directly and creating 1,00,000 jobs indirectly by the time of achieving its full capacity of 10 Million tones. They have requested the Government for grant of concessions and benefits to their project to set up integrated steel plant at Kadapa district and to enter an MOU with them. The proposal of M/S Brahmani Industries Ltd is a Mega Project and the proposal has been placed in the State Investment Promotion Committee on 17-05-2007 and State Investment Promotion Board on 21-5-2007. A Memorandum of Understanding (MoU) was entered on 21.5.2007 with M/s. Bramhani Industries Ltd. As per the decision of SIPB, orders were issued vide G.O.Rt.No.477, Industries & Commerce (IP) Department, Dt:2.08.2007 vide reference 7<sup>th</sup> read above. In the MoU, Govt. have agreed to the following:

- (1) To allot about 8000 acres of land, identified in Jammalamadugu (M) of Kadapa district for setting up of the integrated steel plant on usual terms and conditions.

- (2) To allocate 2 TMC of water from Gandikota reservoir on the usual terms and conditions. For the balance 3 TMC of water requested for later stages of the project, various other possibilities could be explored to make water available.
- (3) To extend all eligible incentives as per IIPP 2005-2010 policy.
- (4) Being a mega project integrated steel plant, Government shall facilitate and extend all possible help including obtaining approvals from Govt. of India, if any.

3. In the G.O 3<sup>rd</sup> read above, Government in Revenue Department have issued orders alienating the Government land to extent of Acs. 10,760.66 in Vemaguntapalli, Kothaguntapalli, P.Bommepalli and Thugutlapalli Villages of Jammalamadugu Mandal in favour of M/s Brahmani Industries Limited for setting up a Green Field Integrated Steel Plant on payment of Market Value of Rs,18,000/- per acre, subject to the usual terms and conditions as laid down in B.S.O.24. In addition to that, orders were also issued in the G.O 4<sup>th</sup> read above, alienating the Government land to the extent of Acs.3115.64 in Ambavaram village of Jammalamadugu Mandal in favour of M/S Brahmani Industries Limited for setting up of Commercial Airport and Flying Academy at Ambavaram village on payment of market value of Rs.25,000/- per acre.

4. In the G.O 5<sup>th</sup> read above, the Government have issued orders to allocate 2 TMC of water from Gandikota reservoir to the M/s. Bramhani Industries Ltd. Further, orders were also issued in G.O 6<sup>th</sup> read above according permission to release of 0.059 TM cft from the dead storage of Mylavaram Reservoir to meet the water requirement of construction work of the Integrated Steel Plant by M/s. Bramhani Industries Ltd. on temporary basis on usual terms and conditions.

5. In the G.O 7<sup>th</sup> read above, Govt. have issued orders ratifying the action of having entered / signed an Memorandum of Understanding with M/s Brahmani Industries Ltd, for establishment of a steel plant in Jammalamadugu Mandal, kadapa district and sanctioned the incentives as following:

- (i) To extend all the incentives as per Industrial Investment Promotion Policy (2005-10).
- (ii) To facilitate and extend all possible assistance in obtaining approvals from Government of India, if any.

6. The Government have noticed that the obligation set out on the part of M/s Brahmani Industries Limited to complete the 1<sup>st</sup> phase of the project with a production capacity of 2 million tons of steel stipulated and to be completed by 2009 is not fulfilled even after lapse of period of more than 1 ½ year. The company has not established the 1<sup>st</sup> phase of the integrated steel plant and works on the project like site leveling, construction of boundary wall, water supply, power supply placement of plant and equipment supply orders etc., of the 1<sup>st</sup> phase are yet to be finalized/completed and the company has failed the obligations set out on its part. Moreover, the Company in their letter dated 1.3.2011, have informed that since the parent company i.e. Obulapuram Mining Company has stopped operations, M/s. Bramhani Industries Limited steel plants works are also stopped.

7. The Law Department when consulted observed that though the MoU entered into by the Government has no legal enforceability; various orders were issued by the Government basing on the MoU. As such there may be

no objection to issue show cause notice as proposed to cancel the orders issued.

8. Accordingly, the Government have issued a Show-cause notice to the company vide reference 8<sup>th</sup> read above, as to why the Government should not cancel the orders issued in the G.O.Ms.No.785, Revenue (Assn.IV)Dept. dated 8.6.2007, G.O.Ms.No.162, Irrigation. & CAD(PW-Reforms) Dept, dated 10.7.2007, G.O.Rt.No.477, Ind. & Com. (IP) Dept. dated 2.8.2007, G.O.Rt. No. 761, Irrigation & CAD(PW-Reforms) Dept, dated 4.10.2007, G.O.Ms.No.413, Revenue (Assn.IV) Department, dated.25.3.2008 for their non compliance on the implementation of the project 7<sup>th</sup> read above.

9. It is also noticed that, M/s Brahmani Industries Limited, have pledged 10,760 acres of land alienated for setting up of Green field integrated Steel Plant to Axis Bank Ltd, Proddutur for obtaining a loan of Rs.350 Crores. The District Collector has made a complaint to the Station House Officer, Urban Police Station, Jammalamadugu and charge sheet was filed on 22-3-2012 against the accused Sri P.Ranga Reddy, Project in-charge, M/s. Brahmani Industries Limited U/s 177 IPC for furnishing false information to public servant and a case was registered in Cr.No.53/2011 u/s 177 IPC and is under investigation.

10. M/s. Brahmani Industries Ltd in the reference 9<sup>th</sup> read above have submitted their explanation to the Government stating that they have invested Rs. 1,350 cores of its own money to proceed with the construction of steel plant works and complete the same at the earliest point of time. M/s. Brahmani Industries Limited has furnished their progress on the project as following:

1. Site leveling works for all primary zones has been completed for 1<sup>st</sup> phase
2. Plant perimeter wall completed
3. Construction of work on Plant Plaza Road (0-2.4 Km upto Plant Main Gate from SH No. 28) and inside the plant is in progress
4. Construction water is made available for all Primary Zones, Thermal Power Plants & Steel Yard, Water is made available at Guest House Sump & Workers Colony and 1 MLD water treatment plant near Guest House Erected.
5. Construction Power supply erected & Commissioned (11-substations, 18-High/low mast lighting towers, 29 kms length of 11 KV/LT lines, 12 kms erection of 33 KV overhead line completed).
6. Plant & equipment have been ordered for Raw material handing Plant, Coke Oven Complex, Sintering Plant, Blast Furnace, Captive Power Plant & Steam Generation and 220 KV MRSS & Power Distribution, construction water supply, Infrastructure facilities, Road, Drains & Culverts, Non-plant buildings, Administration, Canteen, Laboratory and Loco Repair, Mechanical & Electrical works etc.
7. Supplementary Packages ordered for Structural & Erection works for Blast Furnace and Sinter Plant, external water supply system from Gandikota via Mylavaram backwaters including 14 kms pipe, Railway link from Muddanur and Sleepers.
8. Work Progress of Plant & Equipment: Coke Oven & By product plant, basing engineering works on Sinter Plant, Blast Furnace, Plant civil works of RCC 25,537 cum and PCC – 3253 cum, Central Stores, Central Repair shop, fabrication & erection etc completed. Raw material handling, Thermal Power plant, 220 kv MRS & Distribution, detailed engineering & civil works of sinter plant and blast furnace are under progress.

9. Work Progress on supplementary packages are

- a. Railway siding Line – Formation of embankment for a length of 3 km beyond Muddanuru Railway Station is completed and formation for the Railway Track inside the plant has commenced in the unloading year by M/s. Chenna Reddy & Co.
- b. External Water Supply – The supply and construction of intake well, pipeline to pump house structure, pump house & pipe lines to Bramhani Balancing Reservoir, order has been placed on M/s. U.B. Engineering on 5-3-2009. Bhoomi Pooja was performed on 20-4-2009.
10. Contracts Signed and Purchase orders / work orders / LOIs issued for 350 Nos. Out of which Blast Furnace and Sinter Plant equipment has already arrived and is in the bonded warehouse in Chennai Port.
11. Township for employees is under construction – 350 will be ready by March, 2010.
12. Railway line from Muddanur station to the Plant is also under construction.
13. Order for Oxygen Plant, Steel making shop and rolling mills is at different levels or processing and we expect that these orders will be placed in the month of July, 2009
14. Railway infrastructure facilities
  - a. Formal approval is still awaited for clearing the DPR and WESP from SC Railway, Hyderabad
  - b. Land falling within the alignment of railway siding from Muddanuru to BIL Steel Plant is passing through Government and DKT lands Patta lands. Permission is awaited from APIIC and Collector, Kadapa for possession of Government and DKT lands so that work on the railway track can continue
  - c. Diversion of 2.92 hectares of forest land for laying BIL railway siding line is still pending for approval of Principal Chief Conservator of Forests, Hyderabad.
  - d. Formal Clearance is awaited from APGENCO regarding the land Corridor required within the RTTP area for laying proposed BIL Railway siding line from Muddanuru Railway Station to BI11.8 Road Steel Plant.
15. Road approach to plant North Gate from S.I. No. 28 – approval is awaited from APIIC and Collector for commencement of work.
16. 220 KV Power Infrastructure facilities –approval from APTRANCO is awaited
17. Township & Guest Houses are under various stages of progress
18. Bonded warehouse- notification issued under Sec 9 of Customs Act.
19. Offers received and evaluated from Sattav Bonded Warehouse, Chennai for transport equipment.

11. In their reply to the show cause notice , M/s. Brahmani Industries have also submitted the following reasons for non-completion of the project Phase-I.

1. M/s. Brahmani Industries Limited have spent Rs 1350 crores on the project out of own funds and profits generated by M/s. Obulapuram Mining Company Pvt. Ltd whose subsidiary company is M/s. Brahmani Industries Limited, further information that the Government of Andhra Pradesh is also fully aware that after an

investigation is ordered by CBI into the affairs of M/s. Obulapuram Mining Company Pvt. Ltd. that no banker or Financial Institution would come forward to fund or grant loans for completion of the steel plant. They are also informed Government of AP deliberately and arbitrarily prohibited the mining operations of M/s. Obulapuram Mining Company Pvt. Ltd and M/s. Ananthapur Mining Corporation the profits of which are sole source of funding for construction of steel plant.

2. The Government of AP have failed to construct and complete Gandikota Reservoir on war footing basis as a top priority of the project by the end of July, 2010 to supply 2 TMC of water.
3. The Government orders in G.O. Ms. No. 785 Revenue Dept (Assn-IV) Dept dt. 8-6-2007 G.O.Ms. No. 162 Irrigation & CAD Department, dt 10-7-2007, G.O. Rt. No. 477 Industries & Commerce (IP) Department, Dt. 2-8-2007 do not stipulate any conditions that 1<sup>st</sup> phase of the project with 2 MT capacity should be completed by 2009.
4. Government of AP may kindly us an opportunity of being heard during which time we would like to produce the relevant videos, power point programme, the projections and the other details in addition to what is being submitted now, for the better appreciation of the Government of Andhra Pradesh in the interests of justice and industrial development in the state
5. M/s. Brahmani Industries Limited is ready and willing to complete the project at the earliest having invested approximately an amount of Rs 1350 crores of their own funds. The company was in fact proceeding in the fastest manner to complete the plant at the earliest.

12. The detailed reply to the Show cause Notice submitted by M/s. Brahmani Industries Limited in the reference 9<sup>th</sup> read above, have been referred to the Law Dept for their remarks. The Law Department advised the Industries & Commerce Department to examine the reply given to the Government by the said industry on the various issues in consultation with the concerned administrative departments concerned i.e., Revenue, Irrigation & CAD Department and to take a suitable decision on the action proposed to be taken and then remit the file if necessary to the Law Dept. Accordingly, the issue has been referred to the Irrigation & CAD Dept on 17.09.2011 and Revenue Department on 10.11.2011 for their remarks and the departments have taken necessary extracts of the connected file for taking further action with their respective issues.

13. The Revenue Department in Government, vide reference 10<sup>th</sup> read above, while forwarding the MOU entered between Government and M/s. Brahmani Industries Limited, explanation submitted by M/s Brahmani Industries Limited on the show cause notice issued by the Industries and Commerce Department requested the District Collector to examine the matter in a greater detail as per rules and furnish specific remarks to the Government through CCLA, Hyderabad for taking further necessary action in the matter.

14. The District Collector, YSR, Kadapa district in his letter dt: 20.02.2012 vide 11<sup>th</sup> read above has informed that the Revenue Divisional Officer, Jammalamadugu has inspected the site and furnished the land utilization particulars as detailed below:

- 1) Compound Wall: - Compound wall for setting up of a green field integrated steel plant is under progress.

- 2) Kadapa Guest House:- Guest House work completed remaining finishing work is under progress. Water plant work is completed.
- 3) Diesel Tank:- Diesel tank completed and is in operation
- 4) Managing Director and General Manager quarters:- Completed.
- 5) Staff Quarters:- Staff Quarters and over head tank is constructed work is under progress.
- 6) Plant Area:- Construction activity at the site had taken place, site leveling in the entire project, civil works in blast furnace & sinter plant area had been completed and structural work also started. The equipment for blast furnace and sinter plant from china has arrived at equipment for blast furnace and sinter plant from china has arrived at site.
- 7) Security Rooms:- Security rooms work is completed.
- 8) Office Building:- Temporary structure have been constructed for Administrative building office day to day work is going on in this buildings.
- 9) Sub Station:- Electrical Sub Station is under operation.
- 10) Road:- Formation of metal road to steel plant, another road from main gate to plant is under progress.
- 11) Regarding Commercial Airport and Flying Academy South side compound wall is under progress and no other construction activity has taken up so far.

15. With regard to Rs.1350 crores stated to have been incurred by the management of Brahmani Industries Limited, it is stated that the General Manager, DIC, Kadapa and Superintending Engineer, R&B, Kadapa have been entrusted to submit a detailed report and the expenditure incurred by M/s Brahmani Industries, to assess the expenditure incurred by the Management of M/s Brahmani Industries Limited for execution of civil works and purchase of machinery. The Superintending Engineer, R&B, Kadapa has furnished his inspection and valuation assessment report stating that as per the information available at site and based on the information furnished by the Brahmani Industries, the approximate value of the structures including compound wall work out to Rs.170.95 Crores .

16. The District Collector, Kadapa reported that Government allotted 0.059 TMC of water from the dead storage of Mylavaram project vide G.O. Ms. No. 162, dt. 10-7-2007 and G.O.Rt.No. 761, dated 4-10-2007. Accordingly, M/s. Brahmani Industries has drawn water from Mylavaram Project south canal for construction purpose. Further, Government vide G.O.Ms.No.84, Irrigation & CAD (PW: Reforms), dated. 9-5-2008 also accorded permission for the drawing water from Mylavaram reservoir instead of Gandikota Reservoir and administrative sanction for the work was also accorded by Chief Engineer, Central Designs Organisation, Hyderabad. Executive Engineer, Mylavaram Reservoir indicated the deficiencies such as non-submission of the Design along with stad analysis, stoppage of drawing water for construction purpose on the part of M/s Brahmani Industries Limited.

17. The District Collector, Kadapa has also stated that M/s Brahmani Industries Ltd, at present is not in a position to complete the construction and setting up a green field integrated steel plant, with 2 Million Ton Capacity per annum, with its full production capacity of 10 Million Tonnes, by the year 2017. The company has failed to fulfill its obligations, and live upto the agreement as entered in MOU and recommended for taking a view.

18. The Law Department when consulted, they have observed that, since the Company has totally failed in its commitment to provide employment, commence production, failed in all respects as per MoU and has not invested amount as undertaken and gave a reply to show cause notice on performance with misleading information, it is open to the Government to take a considered decision whether to keep the provisions of incentives current as undertaken through G.O.Rt. No. 477 Industries & Commerce (IP) Department, dt. 2-8-2007 or stop by way of cancellation of G.O.Rt. No. 477 Industries & Commerce (IP) Department dt. 2-8-2007.

19. The Government after careful examination of the matter in consultation with Revenue, Irrigation & CAD and Law Departments and keeping in view of the report of the District Collector, Kadapa, Superintending Engineer, Irrigation, Kadapa, General Manager, District Industries Centre, Kadapa, and Superintending Engineer, Road & Buildings came to a conclusion that M/s Brahmani Industries Ltd have not implemented the Phase-I and Phase-II of the project as per the schedule committed by the company during the IIPP-2005-10 policy period. As per the field inspection report, it is very clear that the company violated the provisions of the MoU. Taking all the above aspects into consideration and in view of the inability of the company to execute the project, the Government have decided to cancel the MoU dated 21-5-2007 entered with M/s. Brahmani Industries Limited and incentives sanctioned vide G.O.Rt. No. 477, Inds. & Com (IP) Department dated 2-8-2007 without prejudice to the right of Government in Revenue and Irrigation and CAD Departments to take suitable action on the allotment of land and water respectively. As the company has not fulfilled its obligations, the Government is not liable for any loss / damage caused to the company in the process.

20. Accordingly, the Government hereby terminates the MoU entered with M/s. Brahmani Industries Limited, dated 21-5-2007 whose validity expired on 20-5-2010 after completion of 3 years and cancel the incentives sanctioned vide G.O.Rt. No. 477, Industries & Commerce (IP) Department, 2-8-2007 vide reference 7<sup>th</sup> read above as the company has totally failed to fulfill its commitments as per MoU.

21. The Commissioner of Industries of Industries, Hyderabad is requested to take necessary action accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

**T.S. APPA RAO,  
PRINCIPAL SECRETARY TO GOVERNMENT AND  
COMMISSIONER FOR INDUSTRIAL PROMOTION**

To

The Managing Director, M/s Brahmani Industries Ltd, Kadapa district.

The Commissioner of Industries, Hyderabad,

The District Collector, Kadapa district.

Copy to

The PS to Secretary to Chief Minister

The P.S to Minister for Major Industries

The P.S to Prl. Secretary to Government & CIP

The Revenue / I& CAD Departments

SF/SC.

//Forwarded::By order//

SECTION OFFICER